**Calculating EI Deductions**

Employment Insurance (EI) provides temporary financial assistance to unemployed Canadians who have lost their job through no fault of their own, while they look for work or upgrade their skills.

Canadians who are sick, pregnant, or caring for a newborn or adopted child, as well as those who must care for a family member who is seriously ill with a significant risk of death or who must provide care or support to their critically ill or injured child may also be assisted by Employment Insurance. Your employer and you both contribute to the program. You contribute a certain amount to a yearly maximum and your employer will contribute 1.4 times the amount.

To make the calculations easier the Canada Revenue Agency provides a table similar to the deduction tables used to calculate your income tax deductions.

To Calculate:

* Calculate an individual’s gross pay
* Find the amount under the insurable earnings column
* Record and deduct the amount located in the premium column across from the gross pay you found earlier.

You will notice that there is no specific pay period that is followed. That is because there is a yearly maximum that all will pay. Once an individual has made a total of $47 400.00 per year and paid the maximum employee premium of $891.12, they no longer need to pay EI.

An alternate way to compute the deduction is by using the premium rate that is set out each year. For 2013 the premium rate is 1.88%. To do this, take your gross pay and multiply by 1.88% and round to the nearest cent. If the third decimal point is five or higher you round up. You should always check and make sure that your answer corresponds with the table. It is encouraged to use the deduction table provided by CRA versus a manual calculation. Let’s look at an example.

**Kory makes $3700.00 for the month. Calculate his EI Premium**

**$3700.00 X 1.88% = $69.56**

As stated above we mentioned that an employer to has to contribute an additional 1.4 times the premium to the program. To calculate this:

* Calculate the employees premium payment
* Take the premium payment amounts and multiply by 1.4

**Example: Using the premium you calculated for Kory, calculate the employer’s contribution.**

**$69.56 X 1.4 = $97.38**

Remember that EI is a very important deduction. It is insurance, which means you may never use it but is always there in case you need it.

If you are 18 years old or older, but younger than 65, you are employed in pensionable employment, and you **do not** receive a CPP retirement or disability pension, your employer will deduct CPP contributions from your pay.

The CPP provides basic benefits when you, a contributor to the plan, become disabled or retires. In the event of your death, the plan provides benefits to your survivors. Your employer will calculate how much CPP to deduct with approved calculation tools, using the annual CPP contribution rates and maximums. Your employer remits these deductions to us, along with his or her share of contributions, through payroll remittances. In addition to this the employer also has to contribute the same amount that you contribute every time.

**Calculating CPP Deductions**

The annual maximum pensionable earnings ($52,500 for 2014) applies to **each job** the employee holds with **different employers** (different business numbers). If an employee leaves one employer during the year to start work with another employer, the new employer also has to deduct CPP contributions without taking into account what the previous employer paid. This is the case even if the employee has contributed the maximum amount during the previous employment.

To calculate the CPP Deduction do the following:

**Step 1: Calculate the basic pay-period exemption**

Divide the basic yearly exemption ($3,500 for 2014) by the number of pay periods in the year. Do not round off to the nearest cent.

**Step 2: Calculate the total taxable income**

The total taxable income is the sum of the employee's gross pay including any taxable benefits and allowances the employee received in the pay period that is subject to CPP.

**Step 3: Deduct the basic pay-period exemption from the total taxable income**

Deduct the basic pay-period exemption in step 1 from the total taxable income for the period in step 2.

**Step 4: Calculate the amount of CPP contributions**

Multiply the result of step 3 by the current year's CPP contribution rate (4.95% for 2014). Make sure you do not exceed the maximum for the year. The result is the amount of contributions you should deduct from the employee.

**Example:**

Joseph receives a weekly salary of $500 and $50 in taxable benefits. Calculate the amount of CPP contributions that you have to pay.

**Step 1: Calculate the basic pay-period exemption (amount paid divided by pay periods)**

$3,500 ÷ 52 = $67.30 (do not round off)

**Step 2: Calculate the total taxable income**

$500 + $50 = $550

**Step 3: Deduct the basic pay-period exemption from the total taxable income**

$550 - $67.30 = $482.70

**Step 4: Calculate the amount of CPP contributions**

$482.70 × 4.95% = $23.89

If this method is too confusing, you can also use a payroll deduction table online at. <http://www.cra-arc.gc.ca/E/pub/tg/t4032sk/README.html>

**EI and CPP Deduction Assignment**

1. What is the purpose of Employment Insurance? (1 Mark)
2. What does an employer have to contribute to Employment Insurance? What is the amount you have to pay? (2 Marks)
3. What is Canada Pension Plan and what purpose does it serve? (1 Mark)
4. How much do you and your employer have to contribute to the program? (2 Marks)
5. Is there an age limit for EI? (1 Mark)
6. Is there an age limit for CPP? (1 Mark)
7. If you had more than one job would you contribute to CPP at both? (1 Mark)
8. What is the maximum amount you have to contribute for CPP and EI? (2 Marks)
9. Using the deduction tables found online calculate the following personal EI premiums, then calculate the employer contributions.

|  |  |  |
| --- | --- | --- |
| **Amount** | **Personal Contribution** | **Employer Contribution** |
| $2500.00 |  |  |
| $525.00 |  |  |

1. Using the deduction tables found online calculate the CPP deduction, then calculate the employer contributions.

|  |  |  |  |
| --- | --- | --- | --- |
| **Amount** | **Pay Period** | **Personal Contribution** | **Employer Contribution** |
| $1500.00 | Bi-Weekly |  |  |
| $835.00 | Monthly |  |  |
| $550.00 | Weekly |  |  |
| $6500.00 | Semi Monthly |  |  |

1. What is that maximum earnings that EI is paid on?
2. If Connor made 50 000 a year what would his EI payment be for the year?